

BILL # HB 2437

TITLE: unfair claim processing practices; penalties

SPONSOR: Hanson

STATUS: As Introduced

REQUESTED BY: House

PREPARED BY: Steve Grunig

FISCAL ANALYSIS

Description

This bill would enable the Industrial Commission to recover the costs of investigating unfair workers' compensation claims from civil penalties. These civil penalties are currently deposited into the General Fund.

Estimated Impact

The bill would reduce annual General Fund revenues by approximately \$11,800.

The Industrial Commission also estimates the bill's impact to be \$11,800.

Analysis

The Industrial Commission is required by statute to investigate allegations of unfair workers' compensation claim processing or bad faith on the part of an employer, self-insured employer, insurance carrier or claims processing representative. If the Commission finds that unfair claim processing or bad faith has occurred, it requires the employer or other entity to pay the claimant the original workers' compensation benefit owed and a benefit penalty of 25% of the benefit amount or five hundred dollars, whichever is greater. If the Commission finds a history of unfair claim processing practices, it may also impose a civil penalty of up to one thousand dollars for each violation found. The civil penalty is deposited in the state General Fund.

The bill would enable the Commission to subtract any expenses and costs incurred in investigating or pursuing repeated unfair claim processing practices from the amount of the civil penalties. The amount of the expenses would be deposited in the Administrative Fund within the Commission. The Industrial Commission estimates that an average of \$20,000 in civil penalties are deposited in the General Fund annually. They estimate that expenses related to claims not involving litigation would be approximately 40% of related penalties and expenses for litigated claims would be approximately 75% of related penalties. They estimate that for an average year, the distribution of litigated and non-litigated cases results in investigative expenses of 58.8% of total penalties or \$11,800. This amount is currently absorbed by the Commission, but under the bill, the Commission would recover their costs by reducing the amount of civil penalties deposited to the General Fund.

Local Government Impact

None.

2/25/04